

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01 PM-07

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C O N F I D E N T I A L WARSAW 2747

E.O. 11652: GDS

TAGS: PFOR, PL, US

SUBJECT: MEETING BETWEEN CHAIRMAN OF THE COUNCIL OF
MINISTERS PIOTR JAROSZEWICZ AND ELLMORE C.
PATTERSON, CHAIRMAN OF THE BOARD, MORGAN
GUARANTY TRUST CO. (MGT), MAY 15, 4:00-4:35 P.M.

1. SUMMARY. IN AN EXCELLENT--EVEN EBULLIENT--
MOOD, PREMIER JAROSZEWICZ PROVIDED CHAIRMAN PATTERSON
WITH A TEXT-BOOK BRIEFING ON THE DYNAMIC GROWTH OF
THE POLISH ECONOMY SINCE 1970, STRESSING REPEATEDLY
THE POLISH GOVERNMENT'S INTENTION OF CONTINUING TO
DO BUSINESS WITH THE US ALONG THE LINES THAT HAVE
BECOME APPARENT DURING THE PAST TWO YEARS. HE WAS
HIGHLY COMPLIMENTARY TO MGT AND TO CHAIRMAN PATTERSON
PERSONALLY, AND SEVERAL TIMES REITERATED POLAND'S
CONTINUING INTENTION TO SEEK CREDITS IN THE US.
HE ALSO TOUCHED UPON POLAND'S DESIRE FOR CCC
CREDITS AND, IN AN OBVIOUS IMPLICIT REFERENCE TO THE
FAIRCHILD CASE, COMPLAINED IN LOW KEY ABOUT US
EXPORT-CONTROL RESTRICTIONS. END SUMMARY.

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2. JAROSZEWICZ WAS ACCOMPANIED BY FINANCE MINISTER

STEFAN JEDRYCHOWSKI AND PRESIDENT ROMAN MALESA OF THE BANK HANDLOWY (MR. PATTERSON'S HOST). L. ZEMBRZUSKI TRANSLATED.

3. THE CHAIRMAN WAS IN AN EXCELLENT MOOD AND BEGAN BY PAYING CORDIAL TRIBUTE TO THE EXCELLENT STATE OF US-POLISH RELATIONS. HE SAID THAT THESE "HAVE NOT YET REACHED THEIR ZENITH, BUT THEY ARE VERY GOOD". HE THEN PAID AN EQUALLY WARM TRIBUTE TO THE ASSISTANCE POLAND HAS RECEIVED FROM MGT AND TO THE EXCELLENT RELATIONS BETWEEN MGT AND BANK HANDLOWY. HE CONTINUED BY EXPRESSING A WARM AND HIGHLY POSITIVE EVALUATION OF THE EXPORT-IMPORT BANK AND ITS HELPFULNESS IN REALIZING POLAND'S DEVELOPMENT PLANS. HE SAID THE POLES VERY MUCH HOPE THAT EXIM BANK "WILL NOT BE CLOSED".

4. JAROSZEWICZ SAID THE POLISH GOVERNMENT WANTED TO INCREASE EXPORTS, THEREBY INCREASING THE COUNTRY'S ABILITY TO PAY ITS INTERNATIONAL OBLIGATIONS. AT THE SAME TIME, THE GOVERNMENT RECOGNIZED THAT IT WOULD BE NECESSARY TO CONTINUE IMPORTING. FROM THE UNITED STATES, FOR EXAMPLE, POLAND WOULD CONTINUE TO IMPORT GRAIN, PARTICULARLY FOR FEED, SOY BEANS, FATS, AND OTHER AGRICULTURAL PRODUCTS. IT WOULD BE VERY HELPFUL IF POLAND WERE ABLE TO USE CCC CREDITS TO HELP FINANCE SUCH IMPORTS.

5. JAROSZEWICZ THEN GAVE A THUMB-NAIL SKETCH OF THE CURRENT STATE OF THE POLISH ECONOMY, CONCLUDING BY ONCE AGAIN STRESSING POLAND'S FIRM INTENTION OF CONTINUING TO IMPORT FROM THE UNITED STATES. "WE ARE PARTICULARLY INTERESTED IN IMPORTING AMERICAN TECHNOLOGY AND IN ACQUIRING NEW CREDITS FOR THIS PURPOSE."

6. IN THIS CONNECTION, JAROSZEWICZ SAID, "SOME DIFFICULTIES ARE PUT IN OUR WAY BY THE PENTAGON, WHICH BLOCKS THE LICENSING OF CERTAIN KINDS OF U.S. TECHNOLOGY." HOWEVER, HE SAID, THE POLES WERE CONFIDENTIAL

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PREPARED TO WAIT "WITH JAPANESE PATIENCE" UNTIL THIS ATTITUDE CHANGED. THEY WERE CONFIDENT THAT, IN THE END, THEY WOULD BE ABLE TO ACQUIRE THE TECHNOLOGY WHICH WAS NOW BLOCKED. AFTER ALL, HE SAID, POLAND IS NOT MANUFACTURING STRATEGIC MISSILES, OR OTHER WEAPONS OF AGGRESSION, AND HAS NO PLANS TO DO SO.

7. DESPITE THE SUBSTANTIAL ACCOMPLISHMENTS WHICH THE

POLES HAD TO THEIR CREDIT, PARTICULARLY IN THE LAST THREE YEARS, THERE WERE DIFFICULTIES IN THE POLISH ECONOMY. FOR EXAMPLE, JAROSZEWICZ, SAID, THE LABOR FORCE WAS 200,000 BELOW THE PLANNED FIGURE. THERE HAD BEEN THOSE WHO PROPOSED THAT THIS NEED BE FILLED BY "WORSENING CONDITIONS IN THE COUNTRYSIDE," THUS DRIVING SOME OF THOSE NOW ENGAGED IN AGRICULTURE INTO THE FACTORIES AND MINES. BUT THE GOVERNMENT HAD DECISIVELY REJECTED SUCH SUGGESTIONS. THE STRENGTH OF POLAND'S AGRICULTURAL PRODUCTION LAY IN THE FACT THAT, UNIQUELY AMONG THE SOCIALIST COUNTRIES, 80 PERCENT OF POLAND'S ARABLE LAND WAS PRIVATELY OWNED AND FARMED. THE GOVERNMENT HAD NO INTENTION OF CHANGING THIS SITUATION.

8. FINALLY, JAROSZEWICZ SAID, "WE NEED CREDITS". IN 1970, HE SAID, POLAND WAS IN LAST PLACE AMONG THE SOCIALIST COUNTRIES IN TERMS OF THE STANDARD OF LIVING. HERE, JEDRYCHOWSKI INTERRUPTED TO SAY THAT HE DID NOT QUITE AGREE WITH THIS. JAROSZEWICZ SAID GOOD-HUMOREDLY THAT HE KNEW JEDRYCHOWSKI DID NOT AGREE; JEDRYCHOWSKI FELT THAT POLAND, ROMANIA, AND BULGARIA HAD BEEN ABOUT ON THE SAME LEVEL, BUT HE, JAROSZEWICZ, BELIEVED THAT POLAND'S STANDARD OF LIVING HAD BEEN BEHIND THAT OF EVEN BULGARIA. HOWEVER, IT WAS IMMATERIAL WHAT THE EXACT SITUATION HAD BEEN. THE POINT WAS THAT NOW POLAND WAS VERY NEARLY IN FIRST PLACE, EXCEEDED IN THIS REGARD ONLY BY THE GDR. BEFORE 1971, POLAND HAD INCURRED HARDLY ANY FOREIGN INDEBTEDNESS. NOW, POLAND WAS TAKING CREDITS AT A LEVEL COMMENSURATE WITH ITS CAPACITY TO PAY. THE GOVERNMENT REGARDED IT "AS ITS SACRED DUTY TO PAY ITS DEBTS PROMPTLY, PUNCTILIOUSLY, AND ACCURATELY." IT EXPECTS TO CONTINUE TO SEEK CREDITS IN THE WEST. IN THIS CONNECTION, JAROSZEWICZ SAID TO CHAIRMAN
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PATTERSON, WE WANT YOUR ADVICE AS A BANKER AND YOUR HELP IN TELLING US HOW WE SHOULD SPEND THOSE CREDITS IN SUCH A WAY AS TO IMPROVE OUR ECONOMY, SO THAT WE CAN CONTINUE TO RAISE THE STANDARD OF LIVING OF THE POLISH PEOPLE AND, AT THE SAME TIME, MOVE INTO THE WORLD MARKET AS A COMPETITIVE EXPORTER.

9. CHAIRMAN PATTERSON EXPRESSED HIS GREAT APPRECIATION OF THE EXCELLENT RELATIONSHIP MGT HAD ALWAYS HAD WITH BANK HANDLOWY, BOTH THROUGH THE NEW YORK OFFICE AND IN WARSAW. HE SAID MGT WAS PREPARED TO CONINUE TO HELP IN ARRANGING FINANCING FOR POLAND AND REGARDED IT AS ITS DUTY TO GIVE ITS POLISH PARTNERS THE BEST ADVICE IT COULD, WHETHER IT WAS ENGAGED IN THE FINANCING OF A GIVEN PROJECT OR NOT. J. PIERPONT MORGAN, THE FOUNDER OF

THE MGT, HAD TAUGHT ITS PERSONNEL THAT THE ONLY SURE FOUNDATION FOR SUCCESSFUL BANKING WAS PERSONAL TRUST. HE BELIEVED THAT SUCH A VISIT, DURING WHICH HE HAD AN OPPORTUNITY TO MEET POLISH GOVERNMENT, FINANCIAL, AND BANKING LEADERS, WAS IMPORTANT IN FURTHER DEVELOPING SUCH TRUST. JAROSZEWICZ EXPRESSED HIS COMPLETE AGREEMENT WITH THE WISDOM OF CHAIRMAN MORGAN'S DOCTRINE.

10. COMMENT: THIS WAS BY FAR JAROSZEWICZ'S MOST IMPRESSIVE PERFORMANCE OF THOSE WHICH I HAVE OBSERVED DURING SEVERAL SIMILAR MEETINGS WITH US BANKERS AND BUSINESSMEN. HE WAS OUT TO IMPRESS CHAIRMAN PATTERSON WITH THE PRAGMATIC REASONABLENESS, FLEXIBILITY, AND DYNAMISM OF THE PEOPLE WHO RUN THE POLISH ECONOMY. HE WAS CORDIAL, CONVINCING, AND CHARMING. TO JUDGE BY THE OBVIOUS FORETHOUGHT AND EFFORT WHICH WENT INTO THE PREPARATION FOR THIS MEETING, THE POLES WERE CONCERNED TO OFF-SET THE POSSIBLE NEGATIVE IMPRESSION LEFT BY THE RECENT CHANGES IN THE LEADING FOREIGN-TRADE OFFICIAL AND BY THE APPARENT DECISION NOT TO PROCEED AT THIS TIME WITH MIXED-CAPITAL JOINT VENTURES. END COMMENT.
DAVIES

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